

STATE BOARD OF EQUALIZATION

Annual Report

2009 • 2010



*The Honorable Edmund G. Brown, Jr.
Governor of California*

July 2011

Dear Governor Brown:

On behalf of the Members of the State Board of Equalization (BOE), I am pleased to submit to you our annual report for fiscal year 2009-10.


Programs administered by the BOE produced \$50.7 billion in revenue in 2009-10. The state's portion, \$39.2 billion, contributed 35.6 percent of all state revenue for the fiscal year.

The BOE supports California's state and local governmental finance system by providing essential revenue for the state's cities, counties, and special tax districts. BOE-administered programs yielded \$8.6 billion for local governments from local and district sales and use taxes in 2009-10.

Thanks to the excellent work of our 4,054 employees, a focus on process improvement, and our strong technology infrastructure, we have continued to provide efficient and effective tax administration, in spite of the challenges of these tough economic times. Our total costs for all operations in 2009-10 were \$428.5 million—only 82 cents for every \$100 of revenue collected. Of the total cost of operations, only \$249.2 million came from the General Fund.

We remain dedicated to serving the people of the great State of California.

Sincerely,



*Kristine Cazadd
Interim Executive Director*

MISSION

The mission of the State Board of Equalization is to serve the public through fair, effective, and efficient tax administration.

GOALS

The State Board of Equalization will:

- Improve the taxpayer experience
- Maximize voluntary compliance
- Invest in a skilled, motivated, and diverse workforce
- Enhance operational effectiveness



Meeting Taxpayer Needs

The BOE is committed to helping all California businesses and individuals comply with the state's complex and changing tax laws. Our agency offers a full range of services tailored to the diverse needs of the state's businesses—from 24-hour electronic services to personal assistance with tax compliance questions. The BOE:

- Offers personal assistance with tax compliance questions at 800-400-7115
- Provides forms, publications, regulations, tax news, meeting agendas, and special features on our website
- Sponsors classes and all-day tax events with other federal, state, and local agencies
- Presents online videos of our nonprofit educational seminars, efile instructions, and cigarette and tobacco retail sales
- Conducts taxpayer educational consultations, providing assistance to first-year business owners
- Provides information in 23 languages
- Helps taxpayers get assistance on our redesigned multilingual webpage
- Assists taxpayers who have not been able to resolve a problem by normal channels through our Taxpayers' Rights Advocate Office, 888-324-2798

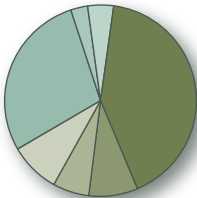
Highlights

Revenues

Programs administered by the BOE produced \$50.7 billion in revenue in 2009-10. The state's portion, \$39.2 billion, contributed 35.6 percent of all state revenue for the fiscal year.

Board of Equalization 35%

- Sales and Use Taxes 28%
- Fuel Taxes 3%
- Other BOE Revenues 4%



Other Agencies 65%

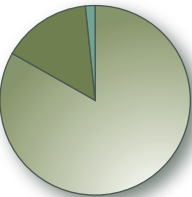
- Personal Income Tax 42%
- Corporation Tax 8%
- Motor Vehicle and Trailer Taxes 6%
- Other Revenues 9%

Total BOE revenues increase

Fiscal year 2009-10 revenues totaled \$50.7 billion, 4.7 percent higher than the \$48.4 billion collected in 2008-09. Sales and use tax receipts, which totaled \$39.9 billion in 2008-09, rose to \$42.2 billion, an increase of 5.6 percent.

2009-10 BOE Revenues

Billions of dollars



- Sales and Use Taxes \$42.2
- Other Taxes and Fees \$7.7
- Property Taxes \$0.8

Program Revenues

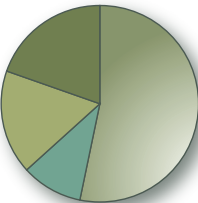
Property Taxes

California property tax levies for fiscal year 2009-10 totaled \$49.2 billion, a decrease of 1.2 percent from the previous year's total of \$49.8 billion. County-assessed property values fell \$86 billion during 2009-10 to reach \$4.3 trillion for the 2010-11 tax year.

In 2010, the BOE set the values of state-assessed properties, primarily privately owned public utilities and railroads, at \$79.0 billion for the 2010-11 roll. This was a \$2.9 million increase from 2009-10 values. State-assessed properties produced an estimated \$83.8 million in local property tax revenues for the state's 58 counties in 2009-10.

2009-10 General Property Tax Revenues

Billions of dollars



- School Purposes \$0.5
- Counties \$0.1
- Cities \$0.2
- Other \$0.2

Private Railroad Car Tax

Private railcar owners pay the private railroad car tax on railcars operated in California. For 2010-11, the Board-adopted assessed value for private railroad cars totaled \$564.4 million. The total assessed value reflects the application of a 65.1 percent assessment ratio as required by the Federal Railroad Revitalization and Regulatory Reform Act. The estimated private railroad car tax revenue for the state's 2010-11 General Fund is \$6.2 million.

Timber Yield Tax

Timber owners pay the 2.9 percent timber yield tax based on the immediate harvest value of trees harvested for wood products. Revenues are returned to the counties where the timber was harvested. Calendar year 2009 revenues totaled \$3.7 million.

Timber harvest volume declined from the 1.37 billion board feet in 2008 to 0.8 billion board feet in 2009. The total value of the year’s harvest decreased to \$99.2 million. The number of registered timber owners decreased from 1,633 active program registrants at the end of June 2009 to 1,573 active program registrants as of June 30, 2010. Thirty timber owners paid approximately 91 percent of the tax collected in 2009.

Sales and Use Taxes

California sales and use tax revenue totaled \$42.2 billion in 2009-10, an increase of 5.6 percent from the \$39.9 billion total in 2008-09. Sales and use tax revenue included:

- \$33.5 billion from the state sales tax, with:
 - \$27.7 billion allocated to the state’s General Fund.
 - \$2.3 billion allocated to the state’s Local Revenue Fund; tax rate of 0.50 percent.
 - \$2.3 billion allocated to the Local Public Safety Fund; tax rate of 0.50 percent.
 - \$1.2 billion allocated to the state’s Fiscal Recovery Fund; tax rate of 0.25 percent.
- \$4.7 billion from the 1.00 percent Bradley-Burns Uniform Local Sales and Use Tax, allocated among all of the state’s 58 counties and 480 cities.
- \$4.0 billion in special district transactions (sales) and use tax; rates vary by district.

2009-10 Sales and Use Tax Revenues

Billions of dollars



The sales and use tax rate in a specific California location has three parts: the state tax rate, the local tax rate, and any district tax rate that may be in effect. The statewide combined sales and local tax rate is 8.25 percent (7.25 percent state tax rate and one percent current local tax rate). State sales and use taxes provide revenue to the state’s General Fund, to cities and counties through specific state fund allocations, and to other local jurisdictions.

Special Taxes and Fees

In 2009-10, the BOE administered more than 20 special tax and fee programs that encompass a broad range of activities and transactions. Revenues from the insurance tax, alcoholic beverage tax, and a portion of cigarette tax receipts are allocated to the state’s General Fund. Other special taxes and fees fund specific state services, from highway construction to recycling programs. The BOE administers most of the special tax and fee programs in cooperation with other state agencies.

BOE-administered special tax and fee program revenues totaled \$7.67 billion in 2009-10, an increase of 0.1 percent from 2008-09 total revenues of \$7.66 billion. Fuel taxes totaled \$3.2 billion, while alcohol and tobacco taxes totaled approximately \$1.2 billion.

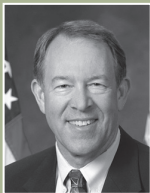
2009-10 Special Taxes and Fees Revenues

Billions of dollars





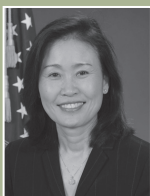
Betty T. Yee
First District



Bill Leonard
Second District
(July 2009 - March 2010)



Barbara Alby
Acting Member
Second District
(March 2010 - Dec. 2010)



Michelle Steel
Third District



Jerome E. Horton
Fourth District



John Chiang
State Controller

Created in 1879 by a constitutional amendment, the BOE was initially responsible for ensuring that county property tax assessment practices were equal and uniform throughout California.

The BOE began to levy four new taxes, including insurance and corporate franchise taxes in 1911, to produce revenue for services throughout the state. As a result of the tremendous drop in property tax revenues caused by the Great Depression, the BOE assumed the responsibility for the collection of the newly created sales tax in 1933 and the use tax in 1935. Currently, the BOE administers the state's sales and use, fuel, alcohol, tobacco, and other taxes and collects fees that fund specific state programs in addition to property taxes and fees.

At present, more than one million businesses are registered with the BOE.

To see the expanded web version of the 2009-10 Annual Report, please visit www.boe.ca.gov. The web version contains detailed information including 46 comprehensive statistical tables about the BOE and its revenue generating efforts.



STATE BOARD OF EQUALIZATION
800-400-7115